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No. 04-717

IN THE
Supreme Court of the United States

AMERICAN AXLE & MANUFACTURING, INC.,

Petitioner,

v.

DANA CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

MOTION OF CISCO SYSTEMS, INC. AND GOOGLE, INC. FOR LEAVE TO FILE BRIEF *AMICI CURIAE* IN SUPPORT OF PETITIONER AND BRIEF *AMICI CURIAE*

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Cisco Systems, Inc. and Google, Inc. ("*amici*") hereby move, pursuant to S. Ct. R. 37.2, for leave to file a brief *amici curiae* in support of the petition for a writ of *certiorari* to the United States Court of Appeals for the Federal Circuit. *Amici* are filing this motion because we have been unable to secure consent from Respondent.* A copy of the proposed brief is attached.

As more fully explained on page 1 of the attached brief under "Interest of *Amici Curiae*," *amici* are large information technology companies who are among the most innovative companies in their respective markets. *Amici* regularly avail themselves of the patent system, both as patent holders, patent licensors and licensees, and as plaintiffs and defendants in patent cases. Accordingly, *amici* have a particular interest in seeing that the patent system serves the public by appropriately balancing the interests of pioneering inventors, follow-on improvers, and users of technology.

This brief will assist the Court in determining whether to grant *certiorari* because *amici* are well positioned to point out the importance of this case to innovative companies and frequent participants in the patent system. *Amici* are not motivated by a desire to influence the outcome of any pending case, nor are *amici* interested in the merits of this particular case, *American Axle & Manufacturing, Inc. v. Dana Corp.*. Rather, because *amici* are frequent and repeat participants in all aspects of the patent system, *amici* can inform the Court of the broad implications of the Federal Circuit's viewpoint that all portions of a district court's *Markman* ruling are

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* A letter requesting consent was sent via facsimile to Petitioner and Respondent on December 22, 2004. As of this date, Petitioner has consented, but we have not received a reply from Respondent.

subject to *de novo* review, even the underlying findings of fact. *Amici* cannot emphasize enough the importance of certainty and predictability to the patent system, and the importance of the district court's claim construction to the early resolution of patent disputes.

Accordingly, *amici* respectfully request that the Court grant leave to file the attached brief as *amici curiae.*

Respectfully submitted,

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INTEREST OF *AMICI*

Amici Cisco Systems, Inc. and Google, Inc. ("*amici*") are large information technology companies. *Amici* are among the most innovative companies in their respective markets and regularly avail themselves of the patent system to protect their innovations. Collectively, *amici* own more than 1,400 United States patents. *Amici* enter into patent licensing arrangements and have litigated patent cases as both plaintiffs and defendants. Accordingly, *amici* have a particular interest in seeing that the patent system serves the public by appropriately balancing the interests of pioneering inventors, follow-on improvers, and users of technology. *Amici* submit this brief in the interest of promoting this balance, and are not motivated by a desire to influence the outcome of any pending case.[1]

SUMMARY OF ARGUMENT

One of the primary functions of patents is to provide public notice of the exclusive rights of the patentee. This Court has reiterated that, for a patent to serve this public notice function, entities in the marketplace must have a significant degree of certainty in the construction of patent claims. Yet, the Federal Circuit's *de novo* review of factual issues underlying a district court's claim construction undermines certainty by giving rise to an untenably high reversal rate. Because the district court's claim construction is not given the proper weight, patent litigants can treat the Federal Circuit as a court of first instance, thereby

1. Pursuant to Supreme Court Rule 37.6, *amici* note that no party authored the brief in whole or in part, and no person or entity other than *amici* and its counsel made a monetary contribution to the preparation or submission of the brief.

encouraging prolonged and wasteful litigation rather than innovation. The Federal Circuit's failure to give greater deference to the district court's underlying findings of fact is an outlier in the law, and it is therefore necessary for this Court to review the Federal Circuit's rule of *de novo* review of all aspects of patent claim construction.

ARGUMENT

This Court Should Grant *Certiorari* To Determine Whether the Federal Circuit's *De Novo* Review of a District Court's Claim Construction Promotes Certainty and Predictability of Patent Rights.

I. The Point Of The *Markman* Process Is To Promote Certainty And Predictability.

Sixty-five years ago this Court recognized the importance of the public notice function of patents: "The limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public." *Gen. Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938). Four years later, again considering the cost of unclear exclusive patent rights, it warned that a "zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims would discourage invention only a little less than unequivocal foreclosure of the field." *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942). The admonitions are doubly important today, where the number of patents and patent lawsuits, and the technical complexity of patents, have all grown exponentially.

Thus, in its decision in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), this Court concluded that claim construction is an issue for the court, not a jury. It buttressed its rationale in that decision with the observation that such a rule is likely to improve certainty and uniformity in the adjudication of patent rights. *Id.* at 390-91.

II. Ambiguities In Patent Claim Construction Often Do Not Come To Light Until A Party Seeks Relief In District Court.

Notwithstanding the goals articulated in patent jurisprudence, patents themselves are rife with ambiguities, which only first become apparent in adversary proceedings. The Patent and Trademark Office ("PTO") processes over 300,000 patent applications and issues nearly 200,000 patents each year. *See* U.S. Patent and Trademark Office, *U.S. Patent Statistics Report*, *available at* http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.pdf (last modified July 2004). Given its vast workload and endemic underfunding, the scrutiny that the PTO can give to each application is limited. Indeed, patent examiners spend an average of only 18 hours spread over a three-year period on any given patent application. Mark A. Lemley, *Rational Ignorance At The Patent Office*, 95 Nw. U. L. Rev. 1495, 1500 (2001). Further, many of the ambiguities of claim construction simply are not considered during patent prosecution, but only in infringement proceedings. In fact, the PTO gives proposed claims their broadest possible meaning, thereby avoiding the task of resolving claim ambiguities so long as the ambiguities do not render a claim "indefinite" under 35 U.S.C. § 112. *See, e.g., In re Bigio*, 381 F.3d 1320, 1324 (Fed. Cir. 2004). And because the PTO examines applications soon after the invention was made, ambiguities resulting from later

developments in technology or between conflicting definitions are unlikely to come up during prosecution. As a result, the process of resolving these ambiguities falls in the main to the courts.

The district court *Markman* hearing is a bulwark against the abuses that can result from claim language ambiguities. By fixing the meaning of patent claims in clear terms the district court's claim construction gives both the patentee and the public notice of what is and is not covered by the patent. Such public notice should carry with it the weight of any trial court judgment, including the expectation that it will not be disturbed barring an error of law or a *clear* error of fact.

III. The Federal Circuit's *De Novo* Standard Of Review Of Claim Construction Findings Undermines Certainty.

This Court observed that a key purpose behind the creation of the Court of Appeals for the Federal Circuit itself was to increase uniformity and thus strengthen the United States patent system. *Markman*, 517 U.S. at 390. Although the establishment of the Court of Appeals for the Federal Circuit may have improved intrajurisdictional uniformity, its decision in *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (en banc) to give no deference to district court claim constructions has given rise to a new, and equally dangerous, form of uncertainty. Because the Federal Circuit regularly substitutes its own view of the evidence underlying claim construction for the determination made in the district court, it reverses claim construction rulings at a rate of over 33%, far higher than the reversal rate of any circuit court in the country and higher than the Federal Circuit reversal rate

on any other issue. *See* Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 HARV. J. L. & TECH. 1, 11-12 (2001). And the problem is getting worse, not better. Recent data show that the *Markman* reversal rate is *increasing* with time. *See* Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 LEWIS & CLARK L. REV. (forthcoming April 2005) (manuscript at 20, on file with authors).

The high reversal rate is compounded by the Federal Circuit's steadfast refusal to construe patent claims through interlocutory appeal. *See, e.g., Linear Tech. Corp. v. Impala Linear Corp.*, 379 F.3d 1311, 1317 (Fed. Cir. 2004); *see also Cybor*, 138 F.3d at 1479 (Newman, J., additional views) (noting the Federal Circuit had denied all requests for interlocutory review of *Markman* rulings). As a result, litigants participate in a *Markman* hearing, but then must take a case to trial—or summary judgment—without any real confidence that the result of the *Markman* hearing will survive on appeal.

The well-documented uncertainty in patent litigation comes notwithstanding the Federal Circuit's own recent acknowledgment that an effective patent system must operate according to rules that provide (relatively) clear public notice of the scope of a patent holder's right to exclude. *See, e.g., Litton Sys. v. Honeywell, Inc.*, 145 F.3d 1472, 1474 (Fed. Cir. 1998) (Garjarsa, J. dissenting from order denying petition for rehearing en banc) ("Public notice of the scope of the right to exclude, as provided by the patent claims . . . is a critical function of the entire scheme of patent law . . . because it provides competitors with the necessary information upon which they can rely to shape their behavior

in the marketplace.") With each patent appeal being almost a 50-50 proposition for each party, the "zone of uncertainty" around patent claims—which this Court warned of in *Markman*—persists even long after years of expensive litigation.

The result is that in virtually every patent case—at least every one that turns upon claim construction—any dissatisfied litigant can treat the Federal Circuit almost as a court of first instance. Instead of setting forth the parameters of the case, and thereby providing a measure by which the parties can evaluate the merits of their case, the district court's *Markman* ruling has become little more than a "first take" on claim construction. The consequences are obvious and extensive:

- litigants have less incentive to settle while in district court because they can start anew in the Federal Circuit;

- plaintiffs are encouraged to file and persist in prosecuting questionable patent infringement suits since, regardless of the district court outcome, defendants face the risk of a different claim construction on appeal;

- defendants are encouraged not to license patents but to persist in defending clear cases of infringement long after a district court construes claims since there is always a substantial probability that the plaintiff will lose a claim construction argument in the Federal Circuit; and

- to the extent either plaintiffs or defendants are inclined to settle, the motivation will likely come from the prospect of the ongoing cost of litigation, not the respective merits of the case.

In short, with the current standard of review, all incentives point to more patent litigation and less resolution based on the merits of patent infringement claims and the inventions underlying them. The promotion of "the Progress of Science and useful Arts" is subordinated to the tactics and costs of patent litigation.

IV. This Court Rightfully Has Equated Claim Construction With Other Issues Whose Underlying Factual Bases Are Reviewed For Clear Error.

In *Markman*, this Court weighed the parties' respective historical arguments and surveyed the state of common law with respect to the role of judges and juries as of 1790. The Court concluded that "judges, not juries, ordinarily construed written documents," and on that basis, rejected Markman's argument that common law practice supported the construction of patent claims by a jury. 517 U.S. at 381-82 & n.7. It is generally the practice today, as well, that contract terms are interpreted by the court, not a jury.

Unlike the Federal Circuit's current *de novo* review standard, findings of fact underlying a court's legal interpretation of a contract are reviewed under the clearly erroneous standard. RESTATEMENT (SECOND) OF CONTRACTS § 208 cmt. f (1981) ("Incidental findings of fact are made by the court rather than by a jury, but are accorded the usual weight given to such findings of fact in appellate review.");

see also, DP Aviation v. Smiths Indus. Aerospace and Def. Sys., Ltd., 268 F.3d 829, 836 (9th Cir. 2001) (holding that, when a district court uses extrinsic evidence to interpret a contract, the findings of fact are reviewed under the clearly erroneous standard, while the principles of contract law applied to those facts are reviewed *de novo*). The "usual weight" given to such factual findings is dictated by the "clear error" standard of Fed. R. Civ. P. 52(a).

Rule 52(a) is without exception: "Rule 52(a) does not make exceptions or purport to exclude certain categories of factual findings from the obligation of a court of appeals to accept a district court's findings unless clearly erroneous." *Anderson v. City of Bessemer City*, 470 U.S. 564, 574 (1985) (citation omitted) (rejecting claim that clearly erroneous standard only applies to district court's credibility determinations).

> The trial judge's major role is the determination of fact, and with experience in fulfilling that role comes expertise. Duplication of the trial judge's efforts in the court of appeals would very likely contribute only negligibly to the accuracy of fact determination at a huge cost in diversion of judicial resources.

Id. at 574-75. This standard of review is also more economical to litigants. As the Supreme Court has explained, "the parties to a case on appeal have already been forced to concentrate their energies and resources on persuading the trial judge that their account of the facts is the correct one; requiring them to persuade three more judges at the appellate level is requiring too much." *Id.* at 575 (citing *Wainwright v. Sykes*, 433 U.S. 72, 90 (1977) (noting that trial on the merits should be "the 'main event' ... rather than a 'tryout on the road.'")).

There is no principled reason the Federal Circuit should treat appellate review of patent claim interpretation any differently than the review of the district court's construction of any other legal document. Review for clear error ensures that fact-finding remains tethered to the presentation of the facts themselves at the trial court. In patent claim construction, the Federal Circuit should defer to the district court as to underlying factual questions such as how a person of ordinary skill in the relevant art would understand a claim term. This will more likely result in the appropriate emphasis in district court on the most relevant facts, the parties' examining their positions at the outset with the most critical eye, and the greatest disincentive to parties trying alternative theories on appeal. All of these consequences promote more certain and predictable resolution of disputes.

V. The Federal Circuit Will Not Resolve This Issue In *Phillips*.

In its order granting the petition to review en banc *Phillips v. AWH Corp.*, 376 F.3d 1382 (Fed. Cir. 2004) (per curium), the Federal Circuit specified that it would only address questions related to the use of certain extrinsic evidence in patent claim construction, namely, the use of dictionaries, prosecution history, and expert testimony. As the dissent of Chief Judge Mayer reluctantly acknowledges, the Federal Circuit did not grant en banc review of the Federal Circuit's holdings "that claim construction is a pure question of law subject to *de novo* review" as opposed to a decision dependent "on underlying factual determinations which, like all factual questions if disputed, are the province of the trial court, reviewable on appeal for clear error." *Id.* at 1384. Thus, the Federal Circuit has declared its intention *not* to examine the standard of review for claim construction, leaving only this Court to address, and redress, the current untenable situation.

CONCLUSION

For the foregoing reasons, *amici* respectfully request that this Court grant certiorari to review the Federal Circuit's *de novo* standard of review of all aspects of patent claim construction.

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